

INSTITUTE OF CURRENT WORLD AFFAIRS

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The Problem of Equality

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Dear Mr. Nolte,

For some time now I have been mulling the question of how to understand a society as a coherent system and where it is heading. This is self-evidently an enormous question. How to get a handle on it? I have reread my earlier newsletters and thought about the issues I considered there and in my previous efforts at understanding societies: income distribution, landholding, taxation, political structure, organizational innovation, military intervention. It has finally occurred to me that inequality is related in some important way to every one of these concerns, and that it would be a good vantage point from which to analyze and compare societies.

Perhaps it is a sign of my naiveté that this has only just now occurred to me. Perhaps instead it is a sign of the extent to which the issue is buried from sight in academic inquiry at this period in our history (certainly it was not so during the Depression, or during the late nineteenth century). The plain fact is that inequality, enormous and continued inequality, is a central fact of all societies since primitive hunting and gathering and shifting agricultural communities. I find it remarkable that this central fact vanishes from view, or at least from concern. Inequality appears to me to be connected either as a consequence or (as some suggest) as an intended purpose of most of the major categories of social activity: status systems, religious and cultural beliefs, productive organization, education, political structures, and innovation. As an example of the latter, let me repeat a problem raised in my last newsletter: how poverty can persist side by side with modern, high productivity agriculture in Thailand, for extended periods of time. The efficient producer has innovated, adopting the most modern methods now available, that much is obvious. What about his neighbor? The question we ought to ask is, what types of bars prevent him from innovating? Many might come to mind: lack of information (differential access to education), lack of investible resources (differential access to capital), inability to deal with market or government institutions (differential status), inability to organize new production methods (differential access to management), inability to coordinate activities of the required number of people (differential power).

It would certainly be possible, and practical, to study any one of these issues by itself. In fact, that is what most studies do: pick a little problem and analyze it. The interesting point, though, is that all of these processes are not random: they fit together like a jigsaw puzzle, and the consequence, intended or not, is to perpetuate a system of human exploitation (by which I mean the technical sense of the use of one person by another without adequate recompense). The separability of these processes as objects of study may unwittingly serve to obscure the result of their collective operation. I would like to remedy this by putting them all together, around the core of inequality.

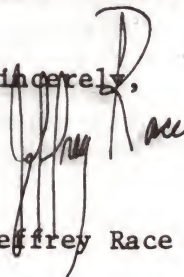
At this point my idea of using inequality as an organizing principle is just an intuition, which may or may not work out. If not, I shall have to backtrack a bit. But I think it will be worthwhile, and in any event I feel a profound dissatisfaction with current efforts to explain (and explain away) inequality. They seem to be either polemical, or nonscientific, or limited to a narrow framework which does not grapple with the scope of the issue. My initial perusal of some of the literature persuades me that there is a lot more to be said, and I shall do my best to put it all together and say it intelligently. I have given the matter a good deal of thought and had hoped to write my preliminary observations last month, but it has turned out to be a lot more complicated than I had thought, even to get some initial observations on paper.

In what follows I shall try to proceed step by step and build up my analysis systematically, so please bear with me if I go over some things that seem elementary: it is necessary to inventory the obvious before pressing on to the arcane. My tentative plan is to state the dimensions of the problem in this letter, and then in the next couple of newsletters to set forth what I know and can figure out about the structure of the problem. From that I should be able to decide what are the strategic sectors to look at, and what are the sensible questions to ask. Then I shall try to check out my conjectures by getting a feel for the situation right here in Thailand, I guess now by asking some plain questions of people at the top and people at the bottom. (My interview experience in Vietnam indicates that they have entirely different ideas of the way things work.) When I have a reasonable structure in mind, I can use this to look back into Thailand's past (and into its future), and to compare the situation here with that in other countries in the region and elsewhere. After all, it is likely that there is not just one system for maintaining peaceful inequality but several: it would be useful to know the differences.

What is intriguing about inequality is that it is such a paradox. So far as I can determine, all human societies which have an economic surplus have economic inequality; and all human societies, with or without economic surplus, have some system of ranking individuals. The sociologists are in the midst of a long argument over how much inequality is "necessary," with no definite conclusion in view. Yet even if some is "necessary," a lot of societies function with less than others, and so we infer that there is more than necessary in the world today. What is so paradoxical is why it is tolerated by the victims: in principle at least, they could always improve their position by collaborating to undo their "betters." Why they so seldom do so is a mystery.

To try to illustrate how puzzling the distributive problem is, I will adopt the attitude of an outsider studying a scientific anomaly -- for this is really what we are observing. And I will adopt a particular format which will make it impossible to mistake the tradition of academic and political interest which has flourished regarding this issue (though under a different guise and with a different choice of words and public goals).

Sincerely,

A handwritten signature in dark ink, appearing to read 'Jeffrey Race', with a large, stylized initial 'J' and 'R'.

Jeffrey Race

INITIAL REPORT OF FEASIBILITY STUDY ON PERPETUAL INEQUALITY

Background

This study was initiated because of a growing recognition among concerned agencies that many central problems of our period, which fall within the responsibility of these agencies, have a common core in inequality. Earlier inquiries and attempted solutions focused on partial aspects of what we now understand to be one general problem. These partial aspects were, for example:

1. "Law and order" -- the effort to preserve compliance with procedures specifying a particular distribution of property and influence. This has generally focused on systems of detection, apprehension and incarceration of those unwilling to abide by the procedures. It is becoming plain, though, that conventional approaches are inadequate if there is widespread unwillingness to abide by the procedures.
2. "Peaceful change" -- on the international scene, the counterpart to the domestic theme of "law and order." By "peaceful change" is meant that those disadvantaged under a system must abide by the rules for change established by those who, benefitting from the system, set the rules. Again by corollary to the domestic situation, curative efforts have focused on punitive actions.
3. "Insurgency" and "subversive movements" -- there has been much recent concern with these violent responses to organized and radical exploitation. The most chilling aspect of these activities has been that the dissatisfied have become organized and begun to collaborate against their superiors, unlike #1 above, where procedural violations took place in isolation from one another, involved only small numbers of people, and were fairly easy to handle. The failures and near-failures of the counterefforts have exposed the major weaknesses of the "partial" approach in a way that the modest threats via #1 could not have done.
4. "Student alienation" -- the peculiar problem with students is apparently that they are not effectively tied in with society to the point where (as with almost everyone else) the impulse to protest the gap between social rhetoric and social fact is stilled. As a result students are usually in the vanguard of efforts to change society, and despite numerous different approaches in a variety of systems, no effective answer has been found to their depredations.
5. "Labor unrest" -- efforts by working people to enhance their share of the income flows from production, despite repeated evidence of the futility of the attempt since owners pass increased costs on in increased prices, or shift to more capital intensive production methods.
6. "Civil disobedience" -- disruptive actions taken by those who disagree with some policy or action of the civil powers, arising from lack of resignation to their limited influence.

The insight which forms the basis of this study is that these are all part of the general problem of how to establish and maintain a system both of inequality

and of resignation to inequality among those who do not share in the benefits of society. It is plain from the list just given that inequality has a number of dimensions, but it is a mistake to think of them as isolated. In fact, one of the flaws in previous efforts to perpetuate peaceful inequality (the list above) was just this preference for seeing things in isolation from one another. The problem must be seen as one of a system, in which one part supports another. Neither understanding nor practical solutions will be served by the continued splintering of the effort which has occurred up to now. The belief which underlies this approach is that more satisfactory results can be achieved by recognizing the partial nature of previous efforts and following instead an integrated approach. To do this, however, it is necessary to go back, in Cartesian fashion, to the very beginnings of what we know about human communities.

Analysis

Production and distribution are the central activities of human communities. Production is fairly well understood; enormous research has gone into it since that is where the profits lie. Much less attention has been devoted to distribution, since there is (unlike production) general satisfaction with distribution. Purely as an intellectual question, though, it would be intriguing to see how distribution works. As a practical matter also, the problem of inequality is a pressing one. If a system of equality, such as exists in primitive agricultural communities, could be converted into a system of permanent inequality, then selected individuals could enjoy magnificent benefits of leisure and consumption. If it were possible to design a system in which inequality of wealth were accompanied by inequality of influence, then selected individuals would be able to behave as they might choose, without limitations imposed by the wills of those less well endowed. If carried out on the scale not just of single individuals but of thousands or tens of thousands in coordination, the possibilities are dazzling.

The benefits of such a system are thus clear and compelling, and it is just to achieve these benefits that the present study was undertaken. It is furthermore likely that if such a system could be designed, installed, tested and perfected in one area, the benefits flowing to selected individuals would permit them to propagate the system to other areas. The physical returns to the system in the first area, together with the technical know-how gained there, could be used to install the system elsewhere through the cooperation of locally selected individuals. In this way the benefits of the system could be diffused world-wide, with those cooperating locally being paid back out of the returns in their own areas. This system of world-wide cooperation would enhance stability throughout, since local difficulties could be surmounted by resources brought in temporarily from other areas.

Design Specifications

In order to avoid the vagueness and ambiguity of the English language it is desirable to set forth in measurable terms the type of system this study aims to achieve.

A. Minimum Design Specifications -- Phase I

1a. Static distribution of income

- i. Top 5% of family units to receive minimum of 20% of income
- ii. Bottom 20% of family units to receive $5\% \pm 1\%$ of income
- iii. Gini concentration ratio $.30 \pm .20$ (Lower range acceptable provided specifications lai and laii are not violated)

Remark: The interpretation of this is that the bottom 20% at least of family units should accumulate no assets at all, the entire product of their efforts, less subsistence, accruing to others

1b. Income mobility

- i. For top 5%, current standing must have at least 95% predictive value for standing ten years later
- ii. For each of next two deciles, current standing must have at least 90% predictive value
- iii. For each of next two deciles, current standing must have at least 80% predictive value
- iv. No constraint for remainder

2. External signs of approval

- a. A separate scale of public approval will be established with a distribution similar to that for income. Public approval will be designated for example by specially pleasing terms of address, special forms of dress, preference in public and private transactions
- b. Individuals not receiving public approval will be similarly designated in terms of dress, address and lack of public and private preference
- c. Mobility: as for Alb

3. Ability to commit resources not one's own (power or influence)

- a. Positively related to income
- b. Positively related to degree of public approval

4. Covariation of deciles under 1 and 2: at least 90%

5. Minimum lifetime of system: 10,000 years

B. Desirable Optional Design Features -- Phase I

1. Low physical start-up costs (so that system may be installed in areas with little economic surplus)
2. The system should be capable of greatly expanded physical product per member. The basic design specifications set forth in A are consistent with technical and productive stasis. This is provisionally acceptable; however, it is extremely desirable that the internal structure be capable of greatly increased complexity, specialization, productivity, and capital accumulation, while continuing to meet the specifications set forth in A
3. Financial and physical costs and personal risks in operating and maintaining the system are to be borne by those at the bottom of each scale of stratification

C. Internal and Environmental Constraints

1. Once established, no external inputs to system
2. Internal violence limited to 1 homicide per 10,000 population per year; incidents of physical violence limited to 1 per 5,000; both to be no more than randomly directed at persons in the top ranks of income and approval
3. Members are ordinary humans of average intelligence and rationality
4. The appearance of the functioning system must strike an outside observer as one of satisfaction and tranquillity. That is, most members, including those at the bottom, must go about their daily business without noticeable concern for the persistence of inequality. If asked, at least 90% of the non-selected individuals must register either no opinion or confidence regarding the activities of the selected individuals (as a group, not by name)
5. The system must not appear to be contrived or artificial. Selected individuals must not appear to be straining to maintain the system; in fact, they must not strain: the system must be "foolproof" and automatic in operation in that selected individuals (via specification C3) must be average people

D. Design Specification -- Phase II

After a system which meets specification B2 (greatly increased productivity) is installed in a number of areas, the effect is to be cumulative, such that per capita income in the first areas to adopt increases faster than in areas to adopt later (increasing inequality across units, not just high inequality within units)

Commentary

It is plain that these are stringent, perhaps unrealistic, design criteria. The major problem centers on the staffing of such a system. No difficulty is anticipated in recruiting the selected individuals to fill the top two or three deciles regarding income, honor and influence. It is not clear, however, how the occupants of the bottom deciles might be recruited so that the system might work with their enthusiastic cooperation (specification C4), since they receive no benefits while bearing all of the costs.

A further perhaps unrealistic constraint concerns the growth capacity of the system (specification B2). Specifications A1a and A1b define a homeostatic condition with respect to certain prominent system variables. From a purely structural viewpoint this mechanism is well understood, though the concurrence of specifications A1, A2, A3 and A4 makes its existence in the real world dubious. The addition of specification B2 implies homeostasis with respect to some system variables despite changes of unpredictable dimensions in many others. Needless to say, this is a challenging problem, the solution to which (if indeed there is one) would require delicate, yet extraordinarily powerful and complex, feedback systems, both positive and negative.

Such an amazing system at this primitive stage of scientific knowledge about human behavior seems visionary, plainly utopian. It may well be impossible. The proper question now is probably not "how to build such a system" but rather "if such a system could exist at all, what would its structure have to be?" Once the struc-

tural properties are determined, the question of practicality will be in order. Let us frankly admit, though, that the whole enterprise is speculative, and if a solution could be found it would represent a triumph, literally a masterpiece of modern social engineering.

Fortunately there is suggestive evidence, from naturally occurring specimens, that such an engineering feat may be possible. Wherever possible, data from scientific studies of these specimens will be used. Two difficulties limit the applicability of these data, however. First is that the functioning of these specimens remains a mystery that thus far defies common sense -- they remain inexplicable laboratory curiosities, "black boxes," whose inner workings have thus far defeated the best minds to study them. The second difficulty is that they have thus far been observed over relatively short periods of time, and even within this period performance has not met the specifications set forth for the ideal production model. Even more disturbing, several specimens have suffered inexplicable malfunctions and breakdowns. It is encouraging to note, nevertheless, that in almost every case, some intrinsic but still hidden homeostatic processes have succeeded in maintaining key system variables within acceptable limits. Even so, the limited performance periods and still limited operating knowhow hardly justify the investment of considerable effort and resources until these technical difficulties are resolved.

Preliminary thoughts on a solution

Designing a system to produce economic inequality is a trivial engineering task. A number of simple loops can be used, for example (assuming private property): an unequal distribution of wealth will produce an unequal distribution of income from capital, and differential capital endowments will provide differential access to credit to exploit new technical possibilities; income differentials can also be produced by preventing most people from gaining education to permit exploitation of technical possibilities, etc. The design of a system to produce differentials in prestige and in influence is more complicated, although we know that at least in the short run such systems can exist.

The real problem is perpetuation of such systems once the initial feedback loops are installed to bring about inequality. The problem is particularly compounded by the requirement (specification A4) for considerable overlapping in the different scales of inequality, so that those who have more wealth have more honor and more influence. This arrangement is totally irrational from the viewpoint of an outsider, yet it must be made to appear not just necessary through superior force but also right and proper to each of the individuals at the bottom of the system. Therein lies the puzzle.

Previous attempts to deal with this problem have been distinguished by their one-sidedness. One school has argued (apparently after looking at but one aspect of naturally occurring specimens) that inequality can be maintained by violence, that fear is the surest basis of compliance. This view has appeared very persuasive to some and has many adherents in the agencies charged with "law enforcement" and "counterinsurgency" responsibilities. Leaving aside the obvious logical problem of circularity and infinite regress, the practical application of this theory has been a failure. Another school, what might be called the "hoax" school, has argued that violence will fail, but that it is possible to fool the disadvantaged into accepting their position by inculcating beliefs about religious and moral virtue, etc.

This approach has enjoyed some successes but some staggering failures as well and thus cannot be "the" answer either. And similarly with other "answers" to the question of how to perpetuate inequality.

The simple inference from this is that inequality is an infinitely more complex problem than these partial attempts credit, though each offers an insight into some part of the problem. It seems likely, though, that in this case the whole will be more than the sum of the parts, that is, that the answer is not to be found simply in adding up all the partial answers and saying "do all of these things and it will work."

There is one possibility which is particularly promising especially in view of specification C5, that the system appear to be natural and not contrived. Production in any complex community requires cooperation, and it is these patterns of cooperation which determine the flow of resources, honor and influence. Specification C5 excludes "direct action" to achieve inequality, and we know from history as well as recent events that violence fails to achieve its end. What is necessary, and believed practical on the basis of scientific studies, is to use indirect measures to channel, affect and constrain the types of cooperation which can emerge. Essentially it is a question of preventing "horizontal" cooperation among the non-selected individuals, while ensuring "vertical" cooperation between non-selected and selected individuals. Two possible indirect measures to achieve this are to limit education and to limit communication and information flows among the non-selected individuals. At the same time, it is necessary to motivate a number of non-selected individuals to cooperate vertically, though not for financial rewards, due to the specification regarding continued income inequality. There is, however, evidence that it may be possible to use other kinds of rewards besides cash. This is particularly so since the non-selected individuals, having small endowments of prestige or influence, would be willing to cooperate for relatively small increments of these values (cf. marginal analysis in economics). In this way it may be possible to achieve the necessary segmentation.

These patterns of cooperation should then evolve into an interlocking series of "institutions," that is, systems of expected behavior on the part of each by all. In other words, a system of reciprocal expectations. The result of this should be that, although the system works to the "theoretical" disadvantage of each participant measured against what he could get in a system of his own design, nevertheless no one will act alone, and since each expects that all will continue to cooperate as the institution dictates, no one acts. Thus though the system is irrational to all taken as "one mind," it is rational to each in his own limited perspective. Finally, the stable purpose of the whole institution may be ensured by placing selected individuals in leadership positions.

This at least is one potential approach to the problem which offers some hope of success. Whether this method will permit meeting the rather stringent specifications set forth above requires further investigation.

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